



DATE: April 10, 2003

STATE MINING & GEOLOGY BOARD

SURFACE MINING STANDARDS COMMITTEE

ITEM 1 – Review and Consideration of a Request for Exemption from the Requirements of SMARA, Pursuant to Public Resources Code Section 2714(f), of an Exploration Drilling Operation, from Cactus Precious Metals LLC, Near the Cactus Mine in Kern County

BACKGROUND: On February 15, 2003, Cactus Precious Metals LLC (CPM) submitted a request to the SMGB for exemption from the requirements of the Surface Mining and Reclamation Act of 1975 (SMARA, PRC §2710 et seq.) for an exploratory drilling program on BLM administered land near the Cactus Mine in Kern County. The SMGB office responded by letter of February 24, 2003, that the proposed exploratory activities, as presented, did not appear to exceed the minimum thresholds that would trigger SMARA compliance. Also, Kern County was concerned that the amount of acreage involved may be greater than that proposed by the applicant (0.7 acre), and this issue required resolution with the County prior to further SMGB action. In question was whether a roadway to the drill site should be included in calculating the amount of estimated disturbed acreage.

CPM resubmitted its exemption request on March 12, 2003 (received March 17th). The new submittal indicated that the amount of land disturbed by the exploratory drilling would be 1.8 acres, and would, therefore, be subject to SMARA. The increase in the disturbed lands was because of the inclusion of a roadway to the drill site in the calculations.

Kern County, in its letter to the applicant dated January 28, 2003, indicated that the County would support CPM's exemption request to the SMGB on the two conditions that: 1) the BLM approve the operations plan; and, 2) the proposed operations did not negatively impact the ongoing reclamation efforts by Hecla Mining Company.

Description of Operations: CPM proposes to drill up to 47 reverse-circulation exploratory holes near the Cactus Gold Mine, which currently is under reclamation activities by its operator, Hecla Mining Company. The drill holes will range in depth from approximately 25 feet to 350 feet, and will test for gold mineralization in the area. After drilling is complete, each hole will be backfilled with cuttings and capped with concrete. Any water zones encountered will be

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addressed according to regulatory standards for preserving aquifer integrity. Reclamation of the site will be to SMARA standards and those in 43CFR §3809. Details of the operation and the reclamation are described in the attached Revised Notice of Intent, dated March 12, 2003, to the BLM. The exploratory activities are expected to take approximately four months (June, 2003 to September, 2003)

DISCUSSION: SMARA recognizes that not all surface mining operations are an efficient “fit” under the Act, and that many projects of limited size, duration, economic and environmental impact would be prevented, delayed, or rendered uneconomic if the requirements of SMARA were fully applied. To address these special situations, SMARA provides the SMGB with authority under PRC §2714(f) to grant exemptions from the Act under specific conditions when the proposed activity is of an infrequent nature and involves only minor surface disturbance.

Issues that must be resolved prior to the commencement of CPM’s proposed exploratory operations are:

- The BLM must approve the Plan of Operations
- CPM must post a bond with the BLM and possibly with the County
- The use of the access road, currently being reclaimed by Hecla Mining Company, must be resolved. Part of the proposed access road is on private lands, and leases for the road must be obtained. In addition, Hecla Mining wants assurances that its reclamation of the roadway will not be disturbed, possibly resulting in Kern County not returning Hecla’s financial assurance bond because of incomplete reclamation.

Findings by the Executive Officer:

(1) The proposed operation is subject to the requirements of SMARA because the proposed project exceeds SMARA’s minimum thresholds by disturbing more than one acre of land and 1,000 cubic yards of material for commercial purposes;

(2) The proposed operation meets the definition of surface mining operations as provided for in PRC §2735;

(3) The proposed project may meet the criteria for a surface mining operation that may be exempted from the requirements of SMARA because it is of an infrequent nature (estimated one-time operation time is four months), and it may involve only minor surface disturbances (approximately two acres).

EXECUTIVE OFFICER’S RECOMMENDATION: The Executive Officer concludes that the proposed exploratory operation is subject to the requirements of SMARA; therefore, the SMGB has authority pursuant to PRC §2714(f) to grant or deny the requested exemption. The Executive Officer recommends that the Committee recommend to the SMGB that the proposed exploratory operations be granted an exemption from the requirements of SMARA providing the following issues have occurred or been resolved to the satisfaction of the Committee and Kern County:

1. The BLM has issued a Plan of Operations to CPM;
2. CPM has posted the required bond(s); and,
3. Resolution of the road access issue has been achieved.

SUGGESTED MOTION LANGUAGE:

Grant exemption request:

Mr. Chairman, I move that the Committee, in light of the information before it today, find that the Committee is satisfied that Cactus Precious Metals has obtained the necessary BLM and County permits; that the Committee adopt the findings contained in this report, and that the request by Cactus Precious Metals LLC, to conduct exploratory mineral drilling operations in Section 8, Township 10 North, Range 13 West, in Kern County, as depicted in the March 13, 2003 Revised Notice of Intent, be granted on the basis that the proposed operation is of an infrequent nature and will cause minor surface disturbance.

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